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By: **Delegates Healey, Gordon, Kaiser, and Ross**  
Introduced and read first time: February 18, 2004  
Assigned to: Rules and Executive Nominations

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A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax Reform**

3 FOR the purpose of altering the State income tax rates and rate brackets for  
4 individuals; requiring the Comptroller to issue new employer withholding tables  
5 reflecting certain rates and rate brackets; requiring the Comptroller to waive  
6 certain interest and penalty for a certain taxable year; providing for the  
7 application of this Act; and generally relating to the alteration of income tax  
8 rates and rate brackets.

9 BY repealing and reenacting, with amendments,  
10 Article - Tax - General  
11 Section 10-105  
12 Annotated Code of Maryland  
13 (1997 Replacement Volume and 2003 Supplement)

14 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
15 MARYLAND, That the Laws of Maryland read as follows:

16 **Article - Tax - General**

17 10-105.

18 (a) The State income tax rate for an individual OTHER THAN A HUSBAND AND  
19 WIFE FILING A JOINT INCOME TAX RETURN is:

20 (1) [2%] 0% of Maryland taxable income of \$1 through [\$1,000] \$3,000;

21 (2) [3%] 5% of Maryland taxable income of [\$1,001] \$3,001 through  
22 [\$2,000] \$70,000;

23 (3) [4%] 5.5% of Maryland taxable income of [\$2,001] \$70,001 through  
24 [\$3,000] \$120,000;

25 (4) 6% OF MARYLAND TAXABLE INCOME OF \$120,001 THROUGH \$333,333;

26 and

1                    [(4)]    (5)    6.5%    [for] OF Maryland taxable income in excess of [\$3,000:]  
2 \$333,333.

3                                    [(i)    4.875% for a taxable year beginning after December 31, 1997  
4 but before January 1, 1999;

5                                    (ii)    4.85% for a taxable year beginning after December 31, 1998 but  
6 before January 1, 2000;

7                                    (iii)    4.85% for a taxable year beginning after December 31, 1999 but  
8 before January 1, 2001;

9                                    (iv)    4.8% for a taxable year beginning after December 31, 2000 but  
10 before January 1, 2002; and

11                                    (v)    4.75% for a taxable year beginning after December 31, 2001.]

12        (B)        FOR A HUSBAND AND WIFE FILING A JOINT INCOME TAX RETURN, THE  
13 STATE INCOME TAX RATE, APPLICABLE TO THE JOINT MARYLAND TAXABLE INCOME  
14 OF THE HUSBAND AND WIFE, IS:

15                    (1)        0% OF MARYLAND TAXABLE INCOME OF \$1 THROUGH \$3,000;

16                    (2)        5% OF MARYLAND TAXABLE INCOME OF \$3,001 THROUGH \$110,000;

17                    (3)        5.5% OF MARYLAND TAXABLE INCOME OF \$110,001 THROUGH \$170,000;

18                    (4)        6% OF MARYLAND TAXABLE INCOME OF \$170,001 THROUGH \$333,333;

19 AND

20                    (5)        6.5%    OF MARYLAND TAXABLE INCOME IN EXCESS OF \$333,333.

21        [(b)]    (C)        The State income tax rate for a corporation is 7% of Maryland taxable  
22 income.

23        [(c)        For a husband and wife filing a joint income tax return, the rates specified  
24 in subsection (a) of this section apply to the joint Maryland taxable income of the  
25 husband and wife.]

26        SECTION 2. AND BE IT FURTHER ENACTED, That the Comptroller shall  
27 issue new employer withholding tables, to be effective as of July 1, 2004, reflecting the  
28 new tax rates and rate brackets under this Act. The Comptroller shall waive any  
29 interest or penalty imposed on an individual relating to payment of estimated income  
30 tax for calendar year 2004 to the extent the Comptroller determines that the interest  
31 or penalty would not have been incurred but for an increase in the income tax rates  
32 for calendar year 2004 under this Act.

33        SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
34 July 1, 2004, and shall be applicable to all taxable years beginning after December 31,  
35 2003.